HRA DEVELOPMENT STRATEGY

Review November 2023

MESSAGE FROM COUNCILLOR NAUSHABAH KHAN, MEDWAY COUNCIL PORTFOLIO HOLDER FOR HOUSING & PROPERTY

Having a roof over your head is the foundation which people build their lives upon and should be a basic right, nothing is more destabilising than insecurity about where you're going to live.

Despite the ongoing financial challenges, we face as a local authority, we strive to continue providing high-quality services and homes, as well as value for money to the people of Medway. Your home impacts everything, your physical and mental health, how you access services and education, and we are committed to increasing housing supply that meets the specific needs of Medway, whether that be social or different types of affordable housing.

To meet the local demand for new homes, as well as central government's challenging housing target, we are working closely with developers on plans to achieve this. The HRA will continue to explore opportunities to self-deliver affordable housing programmes and will bid for funding as and when possible.

This strategy alongside the new Local Plan will focus on providing the right sort of housing in the right places, as well as meeting the need for GPs, schools, and roads, while protecting Medway's environment. It will ensure that high quality sustainable homes are provided at affordable and/or social rents, that the HRA creates and promotes thriving communities and growth in Medway and will develop and deliver appropriate housing solutions in all areas of Medway which are effective and cost efficient.

OUR PRIORITIES

PEOPLE

Supporting residents to realise their potential

- Healthy and active communities
- Resilient families
- Older and disabled people living independently in their homes
- All children achieving their potential in schools

PLACE

Medway: A place to be proud of

- A clean and green environment
- Put Medway on the map

GROWTH

Maximising regeneration and economic growth - growth for all

- A strong diversified economy
- Residents with jobs and skills
- Preventing homelessness
- Delivering new homes to meet the needs of our residents
- Getting around Medway

Delivering new homes to meet the needs of our residents

We will work to deliver new homes to meet the needs of Medway residents, through a council-wide approach. Progressing Medway's local plan and working with developers will enable housing development on appropriate sites to meet our Medway's successful growth.

Medway Council works hard to ensure delivery of affordable housing in line with housing policy. The council aims to achieve delivery of 25% affordable homes on all large developments (Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market). Changes to the way Councils can borrow money through the Housing Revenue Account (HRA) offers new opportunity for Councils to deliver new affordable homes.

This strategy was first published in May 2020, with the aim being to carry out a review and update the report every 3 years to monitor progress. The below report follows the same format as the original, with key data and statistics updated with

more recent figures. Updates have also been added to reflect key events and trends that have/are impacting the development and housing sectors.

INTRODUCTION TO THE HRA

Medway Council owns approximately 3022 council houses and provides a variety of homes for our tenants. Our housing stock is predominantly in and around the Gillingham, Rainham, Brompton and Wigmore areas in Kent.

The Council has a history of housing development having now completed four phases of newbuild and about to go out to tender on Phase 5, with Phase 6 already underway and several individual turnkey projects completed. A £27.3m investment has so far delivered a total of 129 homes which are a combination of houses, bungalows and flats built on HRA owned land, existing garage sites, turnkey new builds, and open market purchases.

Medway's population has steadily increased over the last 10 years across all age groups. Our current population is estimated at 280,040 and this is predicted to continue rising to 290,734 by 2040.

Local authorities have not been encouraged by government, to build new homes for many years with the preference being for Housing Associations to provide new affordable homes. However, there is now recognition that councils can be part of the solution to tackling a national housing crisis.

With the added motivation of local authorities now being able to use additional borrowing within their Housing Revenue Account (HRA) to build new homes, the HRA have been looking to develop additional phases of development to increase our housing stock.

The council has an obligation to maintain existing stock and make sure that our tenants have good quality homes to live in, but we also need to be ready to deliver additional homes as and when funding opportunities become available.

The council aspires to add to its housing stock in a cost effective and appropriate manner. This report sets out the council's aims in this respect. This report will be used to assist in evaluating development/delivery opportunities taking available funding into account. This report will also be used as a focus point to determine which projects to proceed with and which projects are deemed as being non-viable.

The report is intended to be clear and easy to understand and will make a direct contribution to meeting the demand and need for affordable homes within Medway.

MEDWAY'S HOUSING NEED AND DEMAND

There is a small amount of social housing in Medway and an increasing demand. The Government has increased its discounts available to tenants who want to take up the Right to Buy scheme. This has resulted in a significant increase in the numbers of tenants choosing to purchase their council home.

The valuations used to calculate the self-financing payments between local authorities and central government had to include a forecast of lost surplus-income arising from future Right to Buy sales.

Local authorities can retain the receipts from Right to Buy sales for replacement housing if they sign an agreement to limit the use of the net Right to Buy receipts to 30% of the cost of new homes.

Medway Council completed 21 Right to Buy transactions between April 2020 and March 2023. Right to Buy receipts will provide significant one-off sources of funding, additional to the rental surplus-income calculated in the Housing Revenue Account Business Plan.

The Council's new-build programme will take account of these additional receipts to make sure that maximum use of the receipts can be made for new housing, while keeping the use of the net receipts to below 30% of spending on new homes.

Between 2020/21 and 2022/23 there were 21 properties bought under the Right to Buy with a total value of £4,285,500. After applying the discount for Right to Buy means that a total of £769,980 was returned to the council to build replacement properties.

As of October 2023, there were 2,184 households on the housing register with an active priority to be able to bid on accommodation. This has increased by 105% since the first edition of this strategy was published in May 2020. There are 474 households in temporary accommodation which includes 791 dependent children, an increase of 39% since May 2020.

According to the Medway Local Housing Needs Assessment 2021 (MLHNA), the population of Medway in 2021 was 280,040 and this is projected to increase to 290,734 by 2040, with the largest increases across the older age groups. Medway Council will need to account for this in the future. Please see the below table showing the change in population 2021-2040 by age group (taken from the MLHNA 2021):

Age groups	2021	2037	2040	Number change 2021-2037	% change 2021-2037	Number change 2021-2040	% change 2021-2040
0-19	71,925	69,899	70,165	-2,025	-2.8%	-1,760	-2.4%
20-39	74,083	71,873	72,596	-2,210	-3.0%	-1,487	-2.0%
40-54	54,155	57,625	56,883	3,470	6.4%	2,728	5.0%
55-64	34,158	31,943	32,911	-2,216	-6.5%	-1,248	-3.7%
65-74	25,291	29,535	28,441	4,244	16.8%	3,150	12.5%
75-84	15,092	19,388	21,024	4,296	28.5%	5,931	39.3%
85+	5,336	8,509	8,714	3,173	59.5%	3,378	63.3%
All Ages	280,040	288,772	290,734	8,732	3.1%	10,694	3.8%

Source: 2018-based ONS population projections

Medway also recognises the changing needs of residents and aims to ensure that all new affordable housing developments include units which are accessible for people who use wheelchairs or have other mobility issues.

According to the Government Participation in Education Training and NEET statistics for 2022, Medway has more than twice the number of 16-18 year that are not in Employment, Education or Training (NEET) compared to the Southeast average (14.7% compared with 5.4%). This rises to 29% among care leavers, making this group another priority in terms of housing provision to ensure that care leavers have a stable base to access training and employment.

Children's services are commissioning a wider range of accommodation based and floating support services to facilitate this aim and provision is also included for this group in our Housing Related Support commissioning.

Medway has more owner occupiers (67.7%) compared to the rest of the country (65%), but the numbers of owner occupiers are decreasing with the proportion of households renting increasing from 10.8% in 2001 to 14.2% in 2018. The average cost of renting in Medway has gone up significantly. The MLHNA 2021 shows that, between 2010 and 2020, lower quartile rents have increased by 38.2% and median rents by 45.7%. The increase in median rents has been above that experienced across the Southeast of England. Please see the below table showing the comparative lower quartile and median rental prices 2010-2020 (taken from the MLHNA 2021):

Location	Lower quartile price by year (£)		% change 2010-2020
	2010	2020	
Medway	**£524**	**£724**	**38.2%**
South East	£646	£793	**22.8%**
England	£598	£724	**21.1%**
Location	**Median price by year (£)**		**% change 2010-2020**
	2010	2020	
Medway	**£598**	**£871**	**45.7%**
South East	£797	£1,001	**25.6%**
England	£893	£1,148	**28.6%**

Source: Zoopla PPD 2021

According to the MLHNA 2021, the median, yearly household income across Medway was £35k in 2020, with the average household income £33,307 and the lower quartile household income £25k.

Across Medway, the minimum income required for entry level/lower quartile renting was £34,752. For buying an entry level/lower quartile property the minimum income required was £51,429. Across all areas, households had to spend at least 25% of their income on rent. Households on a lower quartile income had to spend 34.8% of their income on a lower quartile rent and median income households had to spend £29.9% on a median rent. This indicates affordability pressures across the private rented sector. These pressures are now further increased with recent rises in interest rates, a cost-of-living crisis and many landlords exiting the sector.

According to the MLHNA 2021, the overall median property sale price in Medway has increased from £70,000 in 2000 to £250,000 in 2020, an increase of 257%. To afford to buy a property on the open market, in 2020 the ratio of lower quartile income to house prices across Medway was 7.2x and for median income to house prices it was 6.4x. Both ratios are above the benchmark of 3.5x income and without substantial deposits, the ability to buy is a significant challenge to many households across Medway. Again, this will now have been further exasperated with recent rises in

interest rates and the cost-of-living crisis, putting home ownership out of reach for many households.

STRATEGIC OVERARCHING OBJECTIVE

The key objective of the HRA's Development Strategy is to meet Medway's housing need by providing high quality sustainable housing at affordable and/or social rents, and to develop appropriate housing solutions in all areas of Medway which are effective and cost efficient.

As a stock-retaining local authority, the Council owns around 3022 homes, and we take pride in our strong landlord management service. Alongside plans to invest in our existing homes, this report sets out our long-term investment plans for new-build development.

This report sets out our vision and objectives for the delivery of new-build council homes and the approach that we will take to ensure that these homes contribute to successful communities and growth in the local economy.

The report was first published in May 2020 and set out our position on developing our own affordable and social housing for the next 10 years to 2030 and considers how we will ensure that we deliver high quality affordable homes in a cost-effective way.

This report will form the framework within which Medway will evaluate development opportunities and will inevitably evolve as plans evolve and will be formally reviewed on a biennial basis.

Changes in Government policy have encouraged councils to build housing, using surpluses within our Housing Revenue Account (HRA), Right to Buy receipts and increased borrowing by lifting the borrowing cap.

The 30-year HRA Business Plan provides details of the financial implication to the Council with our debt being managed to sustain a new build programme to help overcome the serious shortage of both general needs and specialist housing in Medway.

We are very proud of our position as a local landlord and take our responsibility as a local provider of affordable homes very seriously. We are committed to delivering a successful new build programme that will provide a legacy of homes that are attractive, useable, durable and that will contribute to local communities and the environment.

In April 2012 central government ended the Housing Revenue Account subsidy system for council housing. The Localism Act 2011 introduced new powers for councils to keep their rental income and thereby generate growth capital to fund investment in their housing stock (called 'self-financing'). One-off payments to or from each council were

used to adjust housing debt to reflect the value of a council's stock using a 30-year cash flow model. We have made long term investment assumptions to establish the detail of a borrowing portfolio, which will see the debt repaid by the end of year 30.

The Housing Revenue Account (HRA) Business Plan is our 30-year plan that sets out the investment requirements for the housing stock and the finances that we will have available to commit to our new-build programme.

Both affordable and social rent models will be considered for all potential development opportunities along with outright market sale where appropriate.

Medway will plan and deliver new housing designed to have a long life and adaptable internal layouts where possible. We will also consider accessibility and will aim to achieve successful and sustainable neighbourhoods, taking into consideration the layout of developments at the design stage.

Medway will make use of building standards for quality and energy efficiency in planning and delivering a new supply of affordable, including social, housing.

Medway Council will embark on an ambitious programme of development underpinned by strong risk management and financial viability principles whilst taking a planned approach to opportunities that provide value for money whilst maximising supply. We will develop a lasting and positive legacy of distinctive and well thought of homes and build homes that contribute to successful communities and growth in the local economy.

DEVELOPMENT OBJECTIVES

1. To embark on an ambitious programme of development with the aim of growing our housing stock by 1% year on year.
2. Explore development opportunities in a proactive manner with a view to achieving excellent value for money.
3. Develop a lasting and positive legacy of distinctive and well thought of homes
4. Build homes that significantly contribute to successful communities and growth in Medway.

KEY OBJECTIVE 1

To embark on an ambitious programme of development with the aim of growing our housing stock by 1% year on year.

To meet Key Objective 1 this report commits to:

1) Rigorous business planning

The core funding to support this new build strategy will come from the HRA. When this report was first published in 2020, the HRA had invested £12m in phases 1-3 of its development programme. A further £6.1m was then invested in phase 4 which completed in January 2023. £11m has been budgeted for capital spending in phase 5 which is due to start on site early 2024 and a further £6.2m in phase 6 which is being purchased from Medway Development Company (MDC) and due to complete in late 2024. A further £3.4 has been committed for another site also being purchased from MDC.

The Development Team has also explored other options for the delivery of new-build housing, including working with developers on the purchase of 'turnkey' projects. To date the team has secured homes across four such sites, three of which have been completed, with an investment of £8.6m. The Team also secured £487,500 grant funding available through the Rough Sleeping Accommodation Programme (RSAP) towards six street purchases on the open market and funding allocated via the Local Authority Housing Fund Round 2 (LAHF R2) which will go towards the purchase of at least 8 homes.

The HRA aspires to move forward with further phases of new build development and/or turnkey projects, however these projects are currently in their infancy with no budget currently allocated so have not been included below.

Below is a table to show the HRA new-build developments delivered so far and in the pipeline:

HRA developments completed to date

Phases & Sites	Year Completed	Number of Homes
Phase 1 – multiple sites	2015/16	24
Phase 2 – Centenary Gardens	2016/17	32
Phase 3 – Petham Green	2019/20	6
Ingram Court	2021/22	17
Borough Road	2022/23	7
Phase 4 – Eastcourt/Lynsted/Woodchurch	2022/23	28
RSAP	2022/23	6
Copenhagen Road	2023/24	9

HRA development pipeline

Longley Road	Due 2023/24	9
LAHF R2	Due 2023/24	8
Phase 5 – Aburound/Lennox Wood	Due 2025/26	37
Phase 6 – Britton Farm	Due 2024/25	44
Solomans Road	Due 2024/25	14

TOTAL: 241 properties

There are several priorities within the HRA business plan, which have been set and agreed with all key stakeholders which include significant investment to the existing housing stock.

In the case that the assumptions within the HRA must be altered in any way, the Council will need to ensure that all priorities within the HRA are considered proportionately. There is a clear distinction to be made between financial viability and the wider impact on the HRA business plan. To ensure that the HRA business plan can continue to fund the development of new build council housing, it is important that each scheme is properly assessed, and cash flow modelled accurately.

Table 1 below provides a high-level overview of the investment and quantum required to achieve a 1% year on year stock growth and meet the target set out within our strategy.

TABLE 1

HRA 10 YEAR DEVELOPMET TARGET

YEAR	CURRENT STOCK NUM	AVG RTB SOLD PA	REVISED STOCK NUM	UNREPLEMISHED STOCK NUMBER	1% BUILD TGT PER YEAR	TGT YEAR END STOCK NUM	AVG COST PER UNIT	APPROX BUDGET REQUIRED
2020/21	2993	15	2978	0	30	3008	£215,714.29	£ 6,423,971.43
2021/22	3008	15	2993	2963	30	3023	£240,250.61	£ 7,190,172.13
2022/23	3023	15	3008	2948	30	3038	£265,884.31	£ 7,997,023.17
2023/24	3038	15	3023	2933	30	3053	£243,424.95	£ 7,358,212.66
2024/25	3053	15	3038	2918	30	3068	£245,859.20	£ 7,469,233.85
2025/26	3068	15	3053	2903	31	3084	£248,317.79	£ 7,582,117.78
2026/27	3084	15	3069	2888	31	3100	£250,800.97	£ 7,696,898.20
2027/28	3100	15	3085	2873	31	3115	£253,308.98	£ 7,813,609.51
2028/29	3115	15	3100	2858	31	3131	£255,842.07	£ 7,932,286.75
2029/30	3131	15	3116	2843	31	3148	£258,400.49	£ 8,052,965.64
2030/31	3148	15	3133	2828	31	3164	£260,984.50	£ 8,175,682.57
10 YEAR TOTALS	3148	165	3133	2828	336	3164	£260,984.50	£ 83,692,173.68

The RTB (Right to Buy) average has been calculated based on RTB figures for the past 3 years.
The average cost per unit is based on data collated from previous and current development projects and includes on costs such as contingency, consultants, planning, legal, s106 where applicable, staffing and building control. A 1% inflation has been added year on year. These costs are purely indicative, high level costs and do not consider any loan repayment or interest costs. These costs will be factored into more project specific cash flow models.

The approximate budget per year does not include and right to buy receipt contribution which can contribute up to 30% of the 'build cost'. Again, this will be factored into more project specific cash flow models.

It is necessary to ensure that the impact of each scheme on the business plan is calculated and properly understood, and that the cumulative effect of the programme is affordable in the context of the wider HRA business plan. The Council will allow a 10% contingency in all scheme appraisals and will review development projects with those that manage the business plan prior progressing them forward.

To ensure that we can continue to fund the development of Council housing, it is important that each scheme has been properly assessed for viability. There must be an acceptable relationship between the cost of delivering the housing, taking all costs into account, and the rental income we will receive. It is necessary to ensure that the impact of each scheme on the HRA Business Plan is calculated and properly understood. Government policy for affordable housing sets out that the capital cost of affordable housing should largely be met from the rental income it generates.

2) Full benefits and risk assessment for each scheme

All HRA development programmes are discussed in detail with the Assistant Director and Portfolio Holder at feasibility stage. This will be followed by the creation of the necessary gateway report papers and reviewed by the relevant boards. The delivery structure and method will be assessed on a project-by-project basis.

Each project will be assessed to ensure it meets the following criteria:

That it meets the aims of this Development Strategy and the HRA Business Plan.

That its financial viability is fully assessed and that the basis on which it can proceed is properly understood.

That it has been adequately risk assessed as building homes involves significant risks. It will rarely be possible to eliminate risk though it can be assessed and managed. A high-level risk assessment will be carried out ensuring that proposals have a strategic fit with this and other related strategies, particularly in respect to viability.

The criterion for determining viability considers:

An expectation that an assessment is based on a 30-year life of the asset in line with the HRA's 30-year business plan. We will always consider the need for the type of housing and the impact such a development could have on the local community and economy. These factors could extend the assessment period to a time that politically is regarded as appropriate.

That all costs and expenses applicable to the scheme, internal or external, should be fully accounted for and charged to the scheme. Schemes will be evaluated on the basis that they can be considered financially viable if all the viability parameters are achieved at a social Rent level in the first instance. If the social rent model forecasts an unfeasible project, then an affordable rent model will be completed based on 80% of market rent and capped at the LHA.

3) Adopting strong principles of value for money

It is always important that we can demonstrate in the early stages of planning that any development offers value for money. We will consider the expected 'life' of the housing asset and the likely income and expenditure over that time to achieve value for money. This is important as it ensures that the HRA remains viable. As a guideline we will follow is a 30-year payback period, but we will always consider other social and economic issues that would justify an extended payback period such as ensuring superior quality or environmental sustainability.

Due to several issues affecting the development sector over the last few years including the pandemic, increases in building materials, increased labour costs and interest rate rises, it has been necessary to consider a 40-year payback period to ensure financial viability.

While maintaining the high quality and design standards that the Council is committed to delivering, all new build programme will aim to minimise the net cost of new developments.

As the Council progresses with its development programme it will continue to add to and strengthen its internal skills and knowledge base, whilst gathering key financial data that will be used to inform future cash flow models and decision making.

Investing in and developing staff via training and acquiring appropriate software will provide the Council with officers that are able to appraise and manage large-scale projects while achieving value for money.

The use of external consultants and professionals with specialist expertise will be necessary to provide verified benchmarks and quality standards for use by the Council. The Council is committed to commissioning reports where necessary to demonstrate value for money for cost per square metre build, land values, professional services, and any other associated costs.

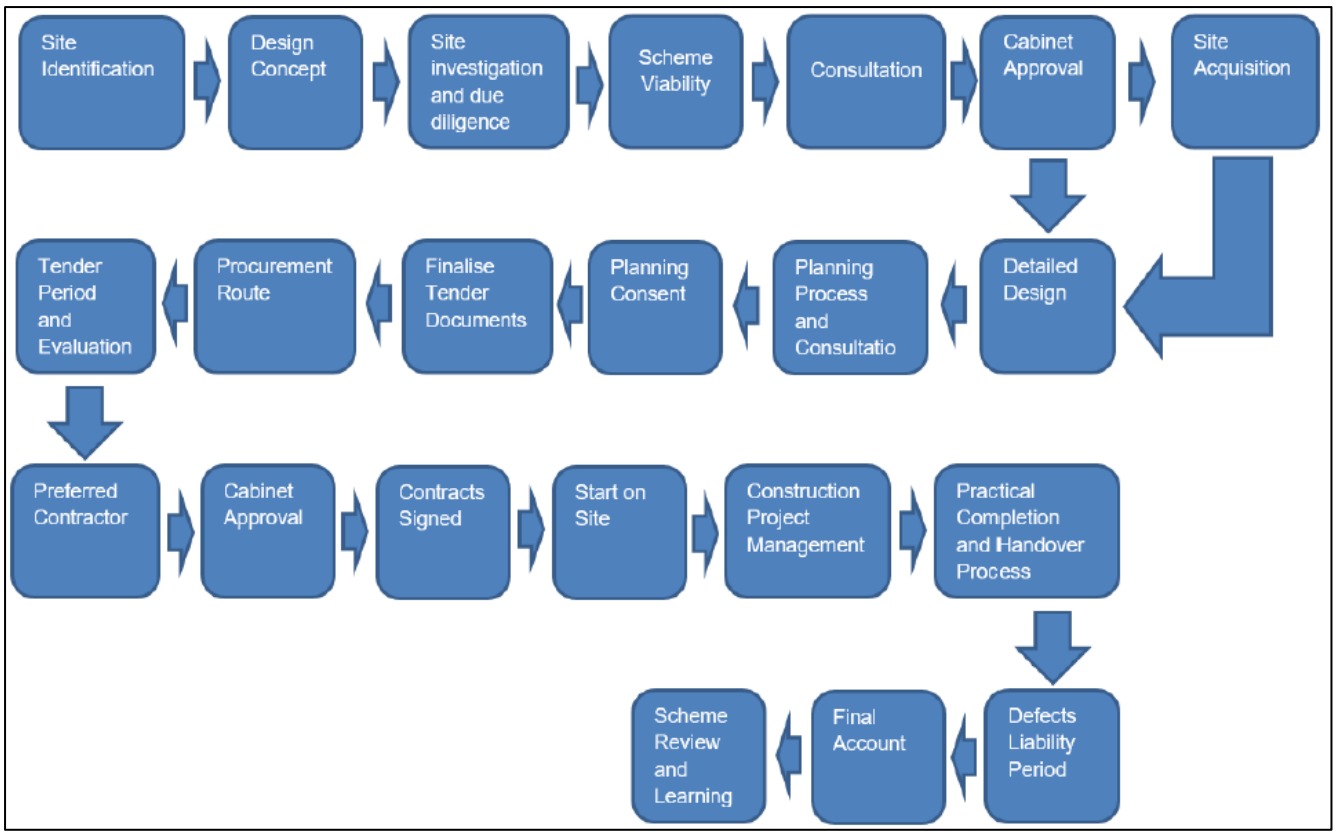
4) Giving high importance to procurement and legal procedures

The Council will ensure that procurement takes place in accordance internal policies and procedures. Contracts and financial procedure rules contained in its constitution and with European Union procurement regulations under the Public Contracts Regulations will always be adhered to. This process will be managed in conjunction with the councils in house Category Management team.

It is important that companies employed by the Council, either directly, or indirectly, for example through lead consultants, comply with the Council's policies on data protection, GDPR and equality and diversity.

The Council has developed a robust set of contracts with input from professional consultants, legal services, procurement, and housing. These will be used across all projects where appropriate.

DEVELOPMENT PROCESS FLOW CHART



The development process requires input and review by several key stakeholders throughout the life of the project. These include;

The HRA Development Team

HRA Tenancy, Tenant Participation and Property Services Teams

Various Head of Service and Assistant Directors

Portfolio holder and local ward councillors

Tenants and Leaseholders

Cabinet and Board

Legal, Finance, Procurement, Highways and Planning Teams

External Consultants

Main Contractor

Each stakeholder will play a key part in making sure that the overarching objective of our strategy, which is it to meet Medway's housing need by providing high quality sustainable housing at affordable and/or social rents, and to develop appropriate

housing solutions in all areas of Medway which are effective and cost efficient is achieved.

5) Exploring innovative ways of funding new developments

One of the major challenges facing us is how to increase the supply of affordable homes across Medway. Our primary objective is to provide new homes to meet the demand. We will, wherever possible, create new homes that are suited to those with needs which are not being met by existing housing stock. This will be informed by a broad range of evidence including the Council's Housing Register.

To provide new homes, we need:

a) land and/or properties.

b) Internal and external resources to undertake a variety of work including pre-construction, legal and valuation work.

c) Contractors and developers to undertake the construction of new homes.

d) Adequate financial investment.

Seeking opportunities for funding is considered as sound activity to future-proof the HRAs business plan, in the case that any of the assumptions in that business plan must be amended due to external factors such as rent setting by central government. Such activity will be carefully monitored and where additional development models may be explored, these will be considered on a site-by-site basis.

In addition to the planned investment from the HRA business plan, and the income from Right to Buy receipts, the Council is committed to seeking opportunities to obtain additional sources of funding.

This could be, for example generating additional funding through cross-subsidy by building for open market sale, or other models of affordable housing such as shared ownership which the council currently does not offer. Other opportunities through joint venture approaches may present themselves over the lifespan of our strategy, however it is envisaged that this would be for larger scale projects such as full estate regeneration.

As already mentioned, over the past two years the HRA Development Team has successfully secure funding through the RSAP and LAHF R2 schemes, which combined provide just under £1.6m of funding. In addition, the team secured just under £600k of funding through the Brownfield Land Release Fund (BLRF) towards phase 5 of the development programme. Discussions are also underway with Homes England to secure funding through the Affordable Homes Programme 21-26.

KEY OBJECTIVE 2

Explore development opportunities in a proactive manner with a view to achieving excellent value for money.

To meet Key Objective 2 our strategy commits to:

1) Being forward looking in obtaining planning permissions

The Council's housing service is proud of its close working partnership with both its planning team and LABC STG (South Thames Gateway Building Control). These partnerships are considered essential to the future success of this strategy.

To build new homes, the Council must first obtain planning permission in the same way as any other developer. Obtaining planning permission requires site investigation, community consultation, design work and cost appraisal. The Council's Housing Development Team will do this with assistance from other teams within the council and using external consultants where required.

To be successful in achieving delivery targets, the Council will maintain a phased plan of realistic development opportunities that will be actively pursued.

The Council will identify a pipeline of sites looking forward three years at least. This will include undertaking strategic reviews of areas where there are significant Council land holdings as well as the acquisition of land on the open market.

2) Taking a pro-active approach to acquiring land

The Council has a corporate responsibility to ensure that it is making best use of its own assets.

It is the intention that going forward we will retain land in our ownership and develop homes to add to our housing stock where it is economically and socially viable to do so.

The Council will maximise opportunities to make use of land which is already held for housing purposes. The HRA has evaluated most of the land and brownfield sites currently within housings ownership and at some point, will run out of options. To allow the Council to meet its targets for delivery it will be necessary to explore the potential of acquiring other land.

The Council will look to acquire land on the open market or by negotiation, to ensure that homes can be provided where they are needed. Land acquisitions will need to be in and around the areas of Medway that the HRA currently owns properties in. Venturing further afield could impact on the HRA's ability to effectively manage and maintain these units based on our current model.

The council will need to accept that acquiring land will have a bearing on the financial viability of the scheme and will need to accept that this will be within the limits of the distribution of available development opportunities.

3) Working in partnerships

Medway Council has strong established links with several housing associations that make a significant contribution to housing supply in Medway and It is important that this continues. It is not the Council's intention to compete with housing associations or those looking to purchase properties from the open market. The Council intends to work alongside our partners and envisages a complimentary approach to the delivery of affordable homes.

Where a developer has an obligation to provide affordable homes under a Section 106 planning obligation, the Council will generally encourage them to work with a housing association. Only in exceptional circumstances will the Council consider acquiring units from a developer, for instance where no housing association has expressed a wish to acquire them. This is something that the HRA may consider should a developer build a scheme situated in and around areas of Medway that the HRA currently owns properties in.

The council will engage with local developers as and when opportunities that suit both parties arise. The HRA will also engage with our planned and reactive maintenance contractor to ensure that all new units being built are done so with future planned maintenance in mind.

The successful delivery of affordable housing in Medway is dependent upon the relationships that have been made with registered providers, funding bodies and developers and on wider market conditions.

The Council has a good track record in enabling the delivery of affordable homes and seeks to strengthen our established working relationships, knowledge, and expertise to ensure that the development of affordable housing is maximised.

Medway Council works closely with developers, Registered Providers and Homes England to deliver new affordable homes, but it is clear that there will be a shortfall between affordable homes delivered and Medway Council's overall estimated housing requirement as set out in the SHENA (which is 721 affordable homes every year from 2017 to 2032). Social housing stock must therefore be used as flexibly as possible to ensure that housing needs can be met and make sure that people access as many different housing options as possible.

4) Ensuring site-appropriate tenure mix

The Council is committed to developing new affordable homes at social rent as the main priority. The high number of households on the housing register highlights the high demand for this tenure.

Intermediate rent and shared ownership will in some cases make developments more financially viable whilst meeting the varying housing need in Medway. Therefore, these tenures will be considered on a site-by-site basis and cash flow modelled accordingly.

Private rent, shared equity, private sale and/or discounted market sale (such as the 'First Homes' scheme) may be appropriate on larger sites where the inclusion of some of these units may make a scheme financially viable.

To meet Key Objective 3 our strategy commits to:

1) Being ambitious in meeting standards in energy efficiency

We seek to provide high-quality homes that meets the needs of our tenants. This is a principal that we have adopted over many years for our existing housing stock that we take a real pride in. We aim to provide housing that is efficient and affordable to run for the occupants, as well as being easily managed and maintained by ourselves. We have been aware for many years of the issues of fuel poverty for our tenants and will continue to build on the achievements we have made so far in seeking to improve energy efficiency and reduce tenant costs.

The Council recognises that fuel poverty and rising energy prices affect the affordability of running a household. New homes will be built to the highest value-for-money energy efficient standards to mitigate the likely rises in energy prices over the lifetime of new homes.

The Council will prioritise design solutions that incorporate new energy efficient technology to minimise heat loss and provide efficient heat and light systems in all our new developments.

Environmental sustainability is essential in the creation of homes and communities in which people want to live and work. Lowering our carbon footprint will help our tenants save money and deliver lasting environmental, social, and economic benefits.

We recognise that a significant environmental impact, and increased carbon emissions, results from our extensive housing stock and new development through the consumption of energy and water, the use of transport and materials, and the production of waste. We will aim to deliver new development in the most sustainable and environmentally friendly way possible.

We recognise that providing environmentally friendly homes is only part of the solution and we seek to provide our residents with the right tools to help them understand how to save energy and money.

Sustainability also relates to ensuring that the homes we provide meet demand, and we will rely on evidence to support the building of the right homes regarding mix and tenure in the right locations. We will consider not only the environmental impact of any new development but also the health and wellbeing of our tenants who will be living there, together with the positive impact of greener design on people.

2) Ensuring high quality design and durability standards are met

The Council commits to meeting the NDSS (National Design Space Standard), the Homes England minimum design and quality standards, secure by design and will conform to as many of the lifetime homes criteria and to attempt to exceed these standards where possible within the finances available on a site-by-site basis. Each scheme will meet the standards set out in our Employers Requirements to ensure we minimise on-going life-cycle costs using new technology and quality materials.

Medway will consider Modern Methods of Construction (MMC) on a project-by-project basis. MMC is a wide term, covering a range of offsite manufacturing and on onsite techniques that provide alternatives to traditional house-building methods.

Modern methods of construction include:

- Panellised units produced in a factory and assembled on-site to produce a three-dimensional structure.
- Volumetric construction to produce three-dimensional modular units in controlled factory conditions prior to transport to site.
- Hybrid techniques that combine both panellised and volumetric approaches.
- Floor or roof cassettes, pre-cast concrete foundation assemblies, pre-formed wiring looms,
  mechanical engineering composites and innovative techniques such as tunnel form or thin-joint block work.

If modern methods of construction were adopted in place of more traditional methods:

- It should be possible to build units quicker than traditional methods.
- On-site construction time could be reduced by more than half.
- Building performance could be at least as good.
- Cost ranges would be comparable depending on specific project circumstances, although they would be higher on average.
- Risks increased at early stages of the development process so good risk management would become even more important.

- Tight liaison with planning would be vital.
- Benefits would be wasted if projects were not properly planned.

The use of MMC for house building has some advantages compared with traditional methods, such as increased speed of construction and fewer defects. There may however be disadvantages to using MMC including higher immediate costs, poor public acceptability, and inflexibility of factories in responding to fluctuating demand.

All future developments will be under warranty for a minimum of 10 years via a mainstream insurance provider (NHBC, Zurich, LABC etc.). Defects that arise outside the initial snagging period will be handled via this insurance policy. Contractors will provide the Council with a Parent Company Guarantee and component collateral warranties, which can be used for any major defects that may arise on developments in the future.

3) Developing homes that meet the needs of households

The Council remains committed to the delivery of houses and will ensure that social rents are charged where practically possible.

A proportion of new homes will need to be 1- and 2-bedroom properties, reflecting the large proportion of single people and couples within the existing Council housing stock who may relocate and free up larger properties, creating more efficient use of our properties. However, there is currently a significant need for larger, family homes – as of October 2023, there were 733 households on the active Medway Housing Register in need of a 3 bed+ sized home.

Suitable housing conditions can prevent, or improve, physical and mental health problems. Accidents, injuries, and falls happen less often where housing is good quality. The right type of housing reduces time off school due to poor health, and improves children's scores in schoolwork, especially where there is a quiet warm space to do homework. Children who do better at school are more likely to grow up to be in work and have a better income which leads to wider housing options and more chance of living in good quality housing.

Project specific local lettings plans will be created in conjunction with the HRA's Tenancy Management Team. Downsizing options and incentives to free up larger family homes will be a key driver when establishing who the new units will be let to.

KEY OBJECTIVE 4

Build homes that significantly contribute to successful communities and growth in Medway

To meet Key Objective 4 our strategy commits to:

1) Communication and tenant involvement

The Council recognises the important role of its existing tenants and that their contribution to setting the standards for future homes will play a big part in successfully achieving our targets.

Medway needs to meet the needs of a diverse range of communities and individuals. The social and economic composition of areas varies greatly and changes over time. We therefore need to have a strong understanding of our local area to design homes and communities that meet current needs and are sufficiently flexible to respond to changing circumstances.

The more comprehensive and up-to-date information Medway can collate about the characteristics and requirements of our residents, the better placed we will be to build homes that meet our resident's needs.

We will therefore look at involving our customers during the lifespan of our development programmes by creating community engagement structures, by carrying out effective resident engagement, we will endeavour to foster good relations with all key stakeholders, and we will aim to contribute towards community development.

Most of the projects being considered will be close to existing housing stock both privately owned and owned by the Council. The Council is very aware that building more homes can bring change in an area but, if done in a sensitive way and to a high standard, there is no reason why this should be unacceptable.

Where our tenants are directly affected, we will discuss proposals early in the process, outline their housing options and support them in making a choice. We will also signpost them to independent advice and provide written guidance for them that sets out statement of principles. The aim will be to enable households to stay within their community if they wish. Households will be given priority to move, either permanently or temporarily, to suitable housing in an area of their choice. In many cases they will be offered the opportunity of returning to one of the new properties. In most cases tenants who must move will be entitled to compensation.

Where garages and parking bays are to be removed, we will always talk to those affected and where possible offer an alternative vacant garage nearby. Where sites are large enough, we will explore options to provide additional residents' parking spaces where necessary.

2) Making meaningful use of customer feedback

The Council will develop a standard post-occupancy satisfaction survey and benchmark this data appropriately.

The survey will focus on:

- Communication though out the project.
- The overall quality of the new home.
- The time taken to move in.
- How could we improve.

Residents of the new homes will have the opportunity to feedback after living in their new homes for 12 months. This will enable the Council to consider any improvements in subsequent projects.

3) Sensitive lettings that give priority to local connection

New lettings will be open to those registered on the Council's housing register and will be advertised accordingly.

The Council may also develop local lettings plan to make sure that allocations to new build properties create balanced and sustainable communities.

Local lettings plans will be developed and guided by Medway Councils priorities and will be compliant with Medway Councils overall Allocations Policy. They will be developed with the aim of allocating housing to those who need it most and to create a thriving and sustainable community.

It will also aim to assist those households who are under occupying social housing properties to downsize which will release much needed larger social housing stock in Medway for allocation to larger households. Age distribution and child density will also be assessed accordingly.

All applicants for wheelchair accommodation will need to have an identified requirement for the appropriate type of dwelling, which has been confirmed by supporting medical information. If not enough applicants for wheelchair accommodation can be identified at the time of letting, properties will be let to those with an identified need for level access living, and/or level access bathing facilities.

To enable existing Council housing tenants who are under occupying their current accommodation to move to smaller accommodation and free up larger Council housing properties, 100% of bungalows will be let to Medway Council transfer applicants using the following criteria, in priority order:

- Medway Council transfer tenants who are under occupying and in need of wheelchair suitable accommodation.
- Medway Council transfer tenants who are under occupying and in need of level access living, and/or level access bathing facilities.
- Medway Council tenants who are under occupying.
- Medway Council transfer tenants with other rehousing priority.
- If it is not possible to let all new properties from within the pool of Medway Council transfer tenants, the following criteria will be followed in order.
- Social Housing transfer tenants within Medway who are under occupying and in need of wheelchair suitable accommodation.
- Social Housing transfer tenants within Medway who are under occupying and in need of level access living, and/or level access bathing facilities.
- Social Housing transfer tenants who are under occupying other households.

Any Medway Council voids created by moves to the new properties, will be re-let via Medway Home choice in line with the general Allocations Policy.

Our local lettings plans will also consider other criteria such as:

- Nominations for transfer tenants will be visited by a Housing Officer prior to a formal offer.
- Where a transfer applicant's property has not been maintained in accordance with the conditions of the tenancy, Medway Council Landlord Services reserves the right to withdraw an offer.
- Where a transfer applicant or member of the household is the perpetrator or associated with serious and/or ongoing nuisance or anti-social behavior at their current home, or had any legal action taken against them including a Notice Seeking Possession, Medway Council Landlord Services reserves the right to withdraw an offer.
- Applicants must not have been evicted for nuisance or anti-social behavior from any previous addresses. Discretion may be used if an applicant can show that they have over a period of not less than three years rectified their behavior.

- Applicants will be expected to have an up-to-date rent account and a satisfactory rent account history. Discretion may be used if any arrears relate to a delay in payment of Housing Benefit or UC Housing Allowance.
- Any debts that are owed to Medway Council Landlord Services must be paid prior to an offer of accommodation, unless the monies owed can be cleared because of any incentive payments that may be applicable because of moving to smaller accommodation.
- Consideration may be given to allocation of property where arrears are evident, and tenants can evidence that the arrears are only caused because of the bedroom size criteria due to under occupation. Any decision will be based on an agreement for a payment plan to be signed by the tenant to clear the former tenancy arrears, or where the arrears can be cleared by any money payable under a downsizing incentive.
- Applicants and members of the household must not be connected to any activity in the use or supply of drugs, or any alcohol or substance misuse.
- Applicants and members of the household will not have any outstanding criminal convictions or recent criminal convictions that would impact upon the management of the tenancy or the local community.
- Applicants will not have any outstanding or current tenancy notice for any breaches of tenancy.
- Any person considered to need support to maintain their tenancy will not be made an offer of accommodation without evidence that appropriate levels of support are in place.

Our Lettings Plans will be monitored to measure whether the properties have been let in accordance with the applicable Lettings Plan, how the subsequent voids caused by these initial lettings were used, the number of households taken out of spare room subsidy and the reduction in social housing stock that is under-occupied.

4) Equality and diversity

Housing plays a fundamental role in everyone's life. Homes and the communities in which they are located, directly influence our access to key social and economic opportunities and they affect people's wellbeing.

Equality is about ensuring everybody has an equal opportunity and is not treated differently or discriminated against because of their characteristics. Diversity is about taking account of the differences between people and groups of people, and placing a positive value on those differences.

At Medway we have real experience and commitment to equality, diversity, and community cohesion. We will work closely with local stakeholders and partners to

identify key priorities locally and ensure the new homes we develop meet the needs and aspirations of the diverse communities in which we work.

We believe that striving for greater equality means that Medway is working towards a better balance of opportunities, resources and decision-making processes for our staff, customers, and other key stakeholders. Striving for greater diversity will ensure that the HRA provides the right services and meets the right needs and aspirations of our customers.

STRATEGY ACTION PLAN AND CONCLUSION

The strategic objective of our Development Strategy is to meet Medway's housing need by providing high quality sustainable housing at affordable and/or social rents, and to develop appropriate housing solutions in all areas of Medway which are effective and cost efficient.

To achieve this strategic objective, 4 key objectives will be focused on

1. To embark on an ambitious programme of development with the aim of growing our housing stock by 1% year on year.
2. Explore development opportunities in a proactive manner with a view to achieving excellent value for money.
3. Develop a lasting and positive legacy of distinctive and well thought of homes
4. Build homes that significantly contribute to successful communities and growth in Medway.

To achieve both the strategic and key objectives the HRA will need to:

- Build the capability within the Housing Development Team to deliver a successful development and enabling programme.
- Develop and publish a 10-year rolling development programme with an objective of achieving 1% stock growth year on year.
- Develop and publish a more detailed 3-year program listing those developments that are deemed as being viable.
- Review corporately all Council land ownership to identify potential housing development sites for new Council housing.
- Create an accurate cashflow model to assess the feasibility of potential development opportunities and to update the associated costs year on year.
- Demonstrate exception levels of value for money during procurement processes.
- Establish effective working relationships with a range of development partners.
- Establish the means to monitor and assess existing Council assets and potential acquisition opportunities for redevelopment.

- Improve the efficiency of the housing stock. Reduce the level of under-occupation, helping to alleviate the housing burden on the Council.
- To take a proactive approach to Right to Buy buy-back where appropriate former council housing comes on the market.
- To complete annual reviews of the HRA business plan in line with development targets and to make sure the business plan can cope with the planned stock increase financially.
- Introduce a 12-month follow-up survey on all new developments and redevelopments to identify issues and learning to inform future developments.

Update on progress as of November 2023:

- When this report was first published the team consisted of one Development Manager. The Development Team has since expanded to include a HRA Development and Enabling Officer and an Apprentice. The team now also has responsibility for the Council's enabling function in relation to wider Affordable Housing delivery. This has increased the capacity and resilience in the team and allowed for more projects to be taken on such as RSAP, the LAHF R2 and the Temporary Accommodation (TA) Pilot Project to procure properties for use by the General Fund as TA to help reduce the significant financial pressures caused by the increasing number of households needing to be placed in TA. The aim of the TA Pilot Project is to procure a minimum of 20 properties (mostly 2-beds), with an initial budget of £5,590,000 approved by Full Council in February 2023.
- To date, 129 homes have been delivered through the HRA's development programme with a further 112 in the development pipeline, with budget allocated and projects underway or due to start shortly. There are also around 30 potential homes that could be delivered through projects currently being explored where budgets would need to be identified.
- The HRA has been worked corporately across the Council to identify development opportunities on Council owned land. An example of this is the proposed redevelopment of the Hook Meadow Community Hub, which will potentially involve the demolition of the current, not fit for purpose library building and the development of a new modern Community Hub facility with residential units added to the site.
- The HRA is also working closely with Medway Development Company (MDC) on the development of affordable housing to meet MDC's S106 obligations, with the HRA purchasing the affordable housing units. One of these sites is Britton Farm, which will provide 44 one- and two-bedrooms flats for Affordable Rent and is due for completion towards the end of 2024.
- The HRA continues to seek out and explore other potential development opportunities and is establishing relationships with private developers to deliver turnkey new build projects where appropriate and viable. Opportunities to buy-back individual properties sold under the Right to Buy have also been

progressed, with 8 properties purchased to date (2 being open market purchases rather than buy-backs), 4 in progress and a further 4 in the early stages. These are being delivered via the RSAP, LAHF R2 and TA Pilot Project.

- The HRA Development Team use a robust cash flow model to assess the viability of all potential developments and purchases. This considers all costs, fees, borrowing, ongoing repairs/maintenance, anticipated rent increases etc. across a 30-year period. The development sector has faced significant cost increases in the last few years, including the cost of building materials and rises in interest rates. This is making the financial viability of development sites very challenging, and it has been necessary to now consider a 40-year period in most cash flow modelling.
- Work is currently underway to review the cash flow models and update these to reflect the new repairs and maintenance rates which will come into effect from 2025 when the HRA's new repairs and maintenance contracts commence. With the rates having increased considerably, it is anticipated that this will make the viability of new developments even more challenging. This means it will be even more important over the next few years for the HRA Development Team to identify and maximise external funding wherever possible.
- For the Phase 4 development, the HRA Development Team produced a follow-up survey to go through with tenants after the first few of months of moving in to get feedback on their experience of the whole process (bidding, allocations, affordability assessments, sign-ups etc.) and of the new property itself in terms of design, layout, décor and fixtures/fittings. Key points from these surveys will be taken forward with the Phase 5 development.
- In July 2023 HRA Development was chosen for an internal audit, the aim being to provide management with an opinion on the adequacy, effectiveness, and reliability of controls in place. The audit concluded that arrangements are in place to ensure that HRA development projects are effectively managed and resourced to allow delivery of the projects to take place and was rated as 'green' (risk management operates effectively and objectives are being met). A follow up action was identified for review of the HRA Development Strategy to include input and sign-off by the Portfolio Holder by 31st December 2023.